

Detroit Zoological Institute

Audit Report

Michigan Council for Arts and Cultural Affairs

Grant Agreement Number 00 AO 26 MA

For the Grantee's Fiscal Year Ended June 30, 2000



JOSEPH L. HARRIS, CPA, CIA
AUDITOR GENERAL
CITY OF DETROIT

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September 24, 2001

Ms. Betty Boone, Executive Director
Michigan Council for Arts and Cultural Affairs
525 West Ottawa
P.O. Box 30705
Lansing, MI 48909-8205

Dear Ms. Boone:

As required by Grant Agreement Number 00 AO 26 MA between the Michigan Council for Arts and Cultural Affairs (the grantor) and the Detroit Zoological Institute of the City of Detroit (the grantee), dated February 3, 2000, we performed an audit of the Grant for the fiscal year ended June 30, 2000.

As a result of our review, we submit this report for your consideration. This report contains: an Introduction; Audit Purpose, Objectives, Scope, and Methodology; our Report on Compliance with Requirements Applicable to the Michigan Council for Arts and Cultural Affairs Grant Agreement Number 00 AO 26 MA; a Special-Purpose Statement of Revenues and Expenditures and accompanying Notes; a Schedule of MCACA Grant Funds Received and Expended; a Schedule of Grant Funds Approved, Received, and to be Provided for MCACA Grant Number 00 AO 26 MA; a Schedule of Matching Support Available for MCACA Grant Funds Received; and a Schedule of Findings.

Also, as required by the Grant, we have provided a Comprehensive Annual Financial Report of the City of Detroit for the fiscal year ended June 30, 2000, as an attachment to this report.

We provided a copy of this audit report and discussed its findings with management of the Detroit Zoological Institute.

We appreciate the cooperation of the officials and employees of the Detroit Zoological Institute and the Michigan Council for Arts and Cultural Affairs extended to us during the audit.

Sincerely,

Joseph L. Harris
Auditor General

Attachment

Detroit Zoological Institute

Audit Report

Michigan Council for Arts and Cultural Affairs

Grant Agreement Number 00 AO 26 MA

For the Grantee's Fiscal Year Ended June 30, 2000

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INTRODUCTION

The Michigan Council for Arts and Cultural Affairs (MCACA, the grantor), a State of Michigan agency, awarded a grant (Grant Agreement Number 00 AO 26 MA) of \$1,188,700 to the Detroit Zoological Institute of the City of Detroit (DZI, the grantee) for the grant period October 1, 1999 through September 30, 2000. The related Grant agreement was made on February 3, 2000. The MCACA has awarded this type of grant to the Detroit Zoological Institute annually for a number of years.

The Grant agreement required that the Detroit Zoological Institute "enhance its conservation and collections program and its education program. This includes the opening of the National Amphibian Conservation Center and the Arctic Ring of Life exhibits". The Grant also required at least an equal match of grant dollars with local and private contributions. In addition, the Grant agreement required the Detroit Zoological Institute to "prominently display Council [the MCACA] name and logo in printed materials and to include support credit in broadcast promotions." Since the Grant did not specifically require segregation of grant fund expenditures for reporting purposes, grant funds were not specifically accounted for in any single cost center or account.

The Grant agreement also required "a copy of the Grantee's annual report [the City of Detroit's Comprehensive Annual Financial Report] and audit report for the fiscal year [the year ended June 30, 2000] in which the majority of the grant took place which is due within 90 days after the end of the Grantee's fiscal year. The audit report shall include an audit of grant funds". However, the State of Michigan, including the Michigan Council for Arts and Cultural Affairs, did not provide any audit guidelines, report format, or any other formal requirements for the audit of this Grant. Accordingly, we submit this audit report and the attached City of Detroit Comprehensive Annual Financial Report for the fiscal year ended June 30, 2000, as required by the Grant agreement.

AUDIT PURPOSE, OBJECTIVES, SCOPE, AND METHODOLOGY

AUDIT PURPOSE

This audit was performed to satisfy the audit report requirement included in Grant Agreement Number 00 AO 26 MA between the Detroit Zoological Institute (DZI) and the Michigan Council for Arts and Cultural Affairs (MCACA). The audit report includes our opinion related to the DZI's compliance with various Grant requirements and selected laws, and regulations. It also includes the Comprehensive Annual Financial Report of the City of Detroit for the year ended June 30, 2000, as required by the Grant agreement, as an Attachment.

This report is intended solely for the information and use of the MCACA, the Mayor and City Council members of the City of Detroit, and management of the DZI.

AUDIT OBJECTIVES

Our overall audit objective was to determine whether the Detroit Zoological Institute complied with the basic requirements of its Grant Agreement Number 00 AO 26 MA with the Michigan Council for Arts and Cultural Affairs.

Our specific audit objectives were to determine whether:

- The required match of grant funds with local and private contributions was met;
- Grant monies were used for Grant required purposes;
- The MCACA name and logo were appropriately displayed in the Detroit Zoo's printed materials;
- The DZI (the grantee) submitted the required reports to the MCACA (the grantor) on a timely basis; and
- The DZI complied with selected pertinent laws and regulations.

AUDIT SCOPE

This audit report presents the results of our examination of Grant Agreement Number 00 AO 26 MA between the Michigan Council for Arts and Cultural Affairs and the Detroit Zoological Institute. The audit focused on the grantee's fiscal year (i.e., the fiscal year ended June 30, 2000) in which a significant portion of the Grant expenditures took place.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, and accordingly, included such tests of the records and other auditing procedures as we considered necessary in the circumstances.

AUDIT METHODOLOGY

To accomplish our audit objectives, our audit work included the following:

- We reviewed Grant Agreement Number 00 AO 26 MA.
- We contacted the Michigan Council for Arts and Cultural Affairs to identify any specific audit requirements of the MCACA.
- We examined selected financial records of the DZI to substantiate compliance with financial related requirements of the Grant, such as meeting the required match of local and private contributions.
- We interviewed employees of the DZI about Grant matters.
- We examined printed materials published by the DZI to determine appropriation recognition of MCACA support.
- We examined reports submitted by the DZI to determine appropriate recognition of MCACA support.
- We determined the DZI's compliance with selected requirements of laws, regulations, and Grant Agreement Number 00 AO 26 MA.
- We prepared a Special-Purpose Statement of Revenues and Expenditures of the DZI and three schedules to present the amount of Grant funds approved, received, and expended, for the fiscal year ended June 30, 2000, as well as the available matching support, based on the DZI's records.

**AUDITOR'S REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO THE MICHIGAN COUNCIL FOR ARTS
AND CULTURAL AFFAIRS GRANT AGREEMENT NUMBER 00 AO 26 MA
AND
SELECTED LAWS AND REGULATIONS**

Ms. Betty Boone, Executive Director
Michigan Council for Arts and Cultural Affairs
525 West Ottawa
P.O. Box 30705
Lansing, Michigan 48909-8205

Dear Ms. Boone:

We audited the Detroit Zoological Institute (DZI) for compliance with the requirements, included in the Michigan Council for Arts and Cultural Affairs (MCACA) Grant Agreement Number 00 AO 26 MA, and selected pertinent laws and regulations, applicable to the DZI for the year ended June 30, 2000. Compliance with the requirements of the Grant, laws, and regulations is the responsibility of the DZI's management. Our responsibility is to express an opinion on the DZI's compliance based on our audit.

We conducted our audit in accordance with Government Auditing Standards, issued by the Comptroller General of the United States. The standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance, which could have a direct and material effect on DZI's grant funds, occurred. An audit includes examining, on a test basis, evidence about the DZI's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. In this connection, we examined selected financial records of the DZI to substantiate compliance with financial related requirements of the Grant, such as the matching Grant provision specified in the Grant agreement. In addition, we prepared a Special-Purpose Statement of Revenues and Expenditures of the DZI for the fiscal year ended June 30, 2000, and three supplementary schedules to present the amount of MCACA grant funds approved, received, and expended, as well as the available matching support. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the DZI complied, in all material respects, with the requirements that are applicable to its MCACA grant funds for the year ended June 30, 2000. However, the results of our auditing procedures also disclosed instances of noncompliance with those requirements, which are described in the two findings in the Schedule of Findings, beginning on page 10 of this report.

This report is intended solely for the information and use of the MCACA, the Mayor and City Council members of the City of Detroit, and management of the DZI.

Joseph L. Harris
Auditor General
September 24, 2001

City of Detroit
Detroit Zoological Institute
Special-Purpose Statement of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2000

General Fund Financial Activity

	<u>Amount</u>
Operating Revenue:	
Admissions	\$ 3,789,252
Memberships	-
Other Operating Revenue	<u>1,898,553</u>
Total Operating Revenue	<u>5,687,805</u>
Operating Expenditures:	
Administration	2,945,533
Grounds and Facilities	5,201,659
Education	472,539
Conservation and Collections	<u>4,103,199</u>
Total Operating Expenditures	<u>12,722,930</u>
Amount by which Operating Expenditures	
Exceed Operating Revenues	<u>(7,035,125)</u>
Nonoperating Income:	
Noncapital project Gifts Donated	1,405
MCACA (State) Grant Revenue (see Schedule A)	919,992
State Revenue - Other	<u>500,000</u>
Total Nonoperating Income	<u>1,421,397</u>
Amount by which Operating Expenditures Exceed	
Operating Revenues and Nonoperating Income	(5,613,728)
Other Revenue - Local Tax Support	<u>5,613,728</u>
Net Revenues/ (Expenditures) - General Fund	<u>-</u>

Capital Project Financial Activity

Capital Project Revenues (Bonds and Fundraising)	4,715,972
Capital Project Expenditures	<u>4,715,972</u>
Net Revenue / (Expenditures) - Capital Projects	<u>-</u>
Net Revenues/ (Expenditures) - Overall	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this special-purpose statement.

**Notes to the Special-Purpose Statement of Revenues and Expenditures
For the Fiscal Year Ended June 30, 2000**

Note A – Purpose

The purpose of the Special-Purpose Statement of Revenues and Expenditures, for the fiscal year ended June 30, 2000, is to present the amount of MCACA grant revenue received and total revenues and expenditures of the DZI, and to show that certain Grant requirements were satisfied by the DZI, as explained in Note C.

Note B – Basis of Accounting

The Detroit Zoological Institute is included as part of the City's General Fund, which follows the modified accrual basis of accounting. Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the modified accrual method, revenues are recognized when they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred, except expenditures for debt service on long-term debt.

Note C – Grant Requirements

Grant funds provided by the Michigan Council for Arts and Cultural Affairs were required, under Grant Agreement Number 00 AO 26 MA, to provide services for enhancing the conservation and collections program and education program, including opening the National Amphibian Conservation Center and the Arctic Ring of Life exhibits. The Grant also required at least an equal match of grant funds with local and private support. The requirements of the Grant were very general and did not specifically require segregation of grant fund expenditures for reporting purposes. Consequently, the grant funds were expended in a general manner for the required services and not specifically allocated to any single cost center or account.

The Special-Purpose Statement of Revenues and Expenditures indicates that the \$919,992 of MCACA grant revenue helped finance part of the \$12,722,930 of operating expenditures, which include the education, and conservation and collections programs, as required by the Grant. The Special-Purpose Statement also shows that the local support provided to the DZI far exceeded the required match. In addition, the National Amphibian Conservation Center opened in June 2000, however, the Arctic Ring of Life is not scheduled to open until September 2001.

City of Detroit
Detroit Zoological Institute
Schedule of MCACA Grant Funds Received and Expended
For the Fiscal Year Ended June 30, 2000

<u>Grant Number</u>	<u>Date</u> <u>Funds Received</u>	<u>Amount</u>
99 AO 4 MA	12/07/1999	\$ 302,992
99 AO 4 MA	03/11/2000	58,300
00 AO MA 26	03/30/2000	11,000
00 AO MA 26	03/30/2000	<u>547,700</u>
Total MCACA Grant Funds Received		919,992
MCACA Grant Funds Expended		<u>(919,992)</u>
Difference between Grant Funds Received and Grant Funds Expended		<u><u>\$ -</u></u>

Purpose: To schedule the actual amounts of total MCACA Grant funds received and expended in the fiscal year ended June 30, 2000.

City of Detroit
Detroit Zoological Institute
Schedule of Grant Funds Approved, Received, and to be Provided
For Grant Agreement Number 00 AO 26 MA
For the Fiscal Year Ended June 30, 2000

	<u>Amount</u>										
Grant Funds Approved	<u>\$ 1,188,700</u>										
Grant Funds Received from July 1, 1999 to June 30, 2000	\$ 558,700										
Grant Funds to be Provided After June 30, 2000:											
<table> <tr> <th style="text-align: left;"><u>Scheduled</u> <u>Disbursement Date</u></th><th style="text-align: right;"><u>Disbursement</u> <u>Amount</u></th></tr> <tr> <td>04/25/2000*</td><td style="text-align: right;">\$ 261,500</td></tr> <tr> <td>07/25/2000*</td><td style="text-align: right;">309,100</td></tr> <tr> <td>11/30/2000**</td><td style="text-align: right;"><u>59,400</u></td></tr> <tr> <td>Total to be Provided</td><td style="text-align: right;">\$ 630,000</td></tr> </table>	<u>Scheduled</u> <u>Disbursement Date</u>	<u>Disbursement</u> <u>Amount</u>	04/25/2000*	\$ 261,500	07/25/2000*	309,100	11/30/2000**	<u>59,400</u>	Total to be Provided	\$ 630,000	<u>630,000</u>
<u>Scheduled</u> <u>Disbursement Date</u>	<u>Disbursement</u> <u>Amount</u>										
04/25/2000*	\$ 261,500										
07/25/2000*	309,100										
11/30/2000**	<u>59,400</u>										
Total to be Provided	\$ 630,000										
Total Grant Funds Received and to be Provided	<u>\$ 1,188,700</u>										

* Grant Funds received October 11, 2000

**Grant Funds received March 28, 2001

Purpose: To schedule the amounts of Grant funds approved, Grant funds received from July 1, 1999 to June 30, 2000, and Grant funds to be provided after June 30, 2000 for MCACA Grant Number 00 AO 26 MA.

City of Detroit
Detroit Zoological Institute
Schedule of Matching Support Available for MCACA Grant Funds Received
For the Fiscal Year Ended June 30, 2000

	<u>Amount</u>
MCACA Grant Funds Received	<u>\$ 919,992</u>
Available Matching Support:	
Operating Support:	
Local Tax Support - City of Detroit	\$ 5,613,728
Detroit Zoological Society*	<u>5,458,241</u>
Total Matching Operating Support	11,071,969
In-Kind Support:	
City of Detroit**	369,916
Detroit Zoological Society***	<u>608,917</u>
Total Matching In-Kind Support	978,833
Capital Support:	
Detroit Zoological Society*	<u>10,741,037</u>
Total Matching Capital Support	<u>10,741,037</u>
Total Available Matching Support for for MCACA Grant Funds Received	<u>\$ 22,791,839</u>

* Matching funds reported for the Detroit Zoological Society were not audited.

** In-kind Support for the City of Detroit was not audited.

*** Since DZS in-kind support for the period July 1, 1999 to June 30, 2000 was unavailable, we included in-kind support for the period April 1, 1999 to March 31, 2000.

Purpose: To schedule various support provided by the City of Detroit and the Detroit Zoological Society to the Detroit Zoological Institute for the fiscal year ended June 30, 2000, which is available as matching support for MCACA grant funds received.

SCHEDULE OF FINDINGS

Finding 1. Reports Not Submitted Timely to the MCACA

The Detroit Zoological Institute did not submit two of the four quarterly reports, or the final report, to the Michigan Council for Arts and Cultural Affairs by the due dates required by the Grant Agreement.

The Michigan Council for Arts and Cultural Affairs Grant Agreement Number 00 AO 26 MA, paragraph 3, stipulates the due dates for submission of quarterly reports and a final report. The schedule below includes the required due dates and actual date the report was signed by DZI's management.

Period Covered by the Report	Required Due Date	Date DZI Signed
1 st Quarter ended Dec 31, 1999	N/A*	Mar 10, 2000
2 nd Quarter ended Mar 31, 2000	Apr 07, 2000	May 22, 2000
3 rd Quarter ended Jun 30, 2000	Jul 25, 2000	July 11, 2000
4 th Quarter ended Sep 30, 2000	Oct 07, 2000	Dec 15, 2000
Final Report	Oct 31, 2000	Feb 2, 2001

* Award date was February 3, 2000

The Detroit Zoological Institute notified the Michigan Council for Arts and Cultural Affairs that the reports would be submitted late. Representatives of the DZI told us that the due dates were unrealistic, since the City's accounting system was unable to provide the necessary financial reports, upon which the quarterly and final reports were based, before the required due dates.

Recommendation

For any future grants, we recommend the DZI request the MCACA to establish more realistic due dates, such as thirty days after the end of the reporting period, and take the action necessary to obtain the required report information and data on a more timely basis.

Finding 2. Grant Funds Not Approved by City Council or Reported to the Budget Department

The Detroit Zoological Institute (DZI) did not obtain Detroit City Council approval to accept Michigan Council for Arts and Cultural Affairs (MCACA) grant funds awarded under Grant Agreement Number 00 AO 26 MA, and did not submit the grant application and award to the City's Budget Department, as required by City Finance Directive No. 26. As a result, the City's internal controls over the grant funds were reduced.

City Finance Directive No. 26 requires that each City agency obtain City Council's approval to accept each grant, and also provide the Budget Department with copies of the signed grant agreement, including the grant budget. The purposes of such

requirements are to ensure the City manages its grants effectively, provides matching funds where necessary, and complies with the various grant requirements.

Recommendation

We recommend the Detroit Zoological Institute obtain City Council approval for each future grant award and provide the Budget Department a copy of the signed grant agreement, including the grant budget, as required by City Finance Directive No. 26.